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BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF DELAWARE

IN THE MATTER OF THE INVESTIGATION)
BY THE PUBLIC SERVICE COMMISSION)
INTO THE IMPLEMENTATION OF) PSC DOCKET NO. 09-311
DYNAMIC PRICING BY DELMARVA)
POWER & LIGHT COMPANY)
(OPENED AUGUST 4, 2009))

ORDER NO. 7620

AND NOW, this 4th day of August, 2009:

WHEREAS, the United States Congress has enacted the "American Recovery and Reinvestment Act of 2009" (hereafter, the "Stimulus Bill"); and

WHEREAS, Section 410 of the Stimulus Bill provides that the Secretary of Energy "shall make grants ... in excess of the base allocation established for a State ... only if the governor of the recipient State notifies the Secretary of Energy in writing that the governor has obtained the necessary assurances" that, among other things:

The applicable State regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility, with respect to which the State regulatory authority has ratemaking authority, a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provide timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings, in a way that sustains or enhances utility customers' incentives to use energy more efficiently,

And;

WHEREAS, the Delaware Public Service Commission has previously supported policies and procedures to enhance customers' incentives to use energy more efficiently, to more closely align utility financial incentives to the more efficient use of energy by their customers and to provide to utilities timely cost recovery and earnings opportunities associated with cost-effective measurable and verifiable efficiency savings (as an example, in Order No. 7420 dated September 16, 2009, the Commission (1) approved diffusion of advanced metering technology ("AMT") into the electric and natural gas distribution system networks; (2) permitted Delmarva Power & Light Company ("Delmarva" or the "Company") to establish a regulatory asset to cover recovery of and on the appropriate operating costs associated with deploying AMT and demand response equipment; and (3) instructed Delmarva to move forward with implementing the demand response programs set forth in the Company's Blueprint for the Future; and

WHEREAS, in Order No. 7420 the Commission directed Delmarva, the Public Advocate, Commission Staff and any other interested parties to convene at collaborative workshops to determine the viability of implementing reasonable demand-side management or demand response programs in the near term; and

WHEREAS, consideration of "dynamic pricing"¹ has been advanced as a means for encouraging the more efficient use of electricity by utility customers; and

¹ As described by the Institute for Electric Efficiency:

WHEREAS, on November 20, 2008, Delmarva made a presentation at a workshop addressing the issue of dynamic pricing in which it discussed potential programs for residential direct load control, non-residential direct load control, and non-residential internet platform for load curtailments, and described how advanced metering infrastructure ("AMI") could make possible the widespread

As a commodity, the price of electricity is subject to the market forces of supply and demand. But, because electricity cannot be stored in large quantities, it has to be generated on demand. To serve demand that varies over time, different generation units with varying efficiencies and fuel sources are used to provide electricity at different times of the day as well as the year. But, at all times, adequate generation capacity must be maintained to serve periods of peak demand. For instance, certain generation units, typically gas combustion turbines, only operate during the one percent of the hours in a year when the demand for electricity is highest; due to their high fuel costs it makes economic sense to dispatch these expensive units only during peak demand hours. These units are kept idle for the rest of the hours of the year at a cost of billions of dollars nationwide. This implies that the real cost of serving customers is highly variable and is much higher during peak demand hours than in other hours of the year.

Despite these characteristics, today's retail tariffs do not account for the time-varying nature of demand and therefore the real cost to serve customers. Retail tariffs mask the real costs to serve a customer; by doing so, one of the main attributes of prices, which are to signal the true scarcity value of electricity, is lost. Customers have no incentive to reduce usage during hours when it is most expensive to serve that usage because they are not directly charged for the high cost of electricity during those hours.

Dynamic pricing overcomes this problem ... by providing price signals that give customers incentives to lower their bills by curtailing peak usage and shifting it to less expensive off-peak periods.

IEE Whitepaper, "Moving Toward Utility-Scale Deployment of Dynamic Pricing in Mass Markets," June 2009, at 2.

implementation of voluntary dynamic pricing structures for Delmarva's Standard Offer Service customers to reduce peak load; and

WHEREAS, by Order No. 7485 dated November 21, 2008, the Commission opened Docket No. 08-391 to facilitate the workshops ordered in Order No. 7420; and

WHEREAS, the Commission believes that it should be the policy of the State of Delaware to align the financial incentives of Delaware electric and natural gas distribution utilities with helping those utilities' customers use energy more efficiently while at the same time attempting to ensure that those utilities timely recover the costs they incur in providing such assistance and attempting to ensure that those utilities' earnings are not adversely affected by their customer's more efficient use of energy; and

WHEREAS, the Commission believes that it would be appropriate to open a docket to further investigate the potential benefits to ratepayers of dynamic pricing and other options that may become available with the diffusion of AMI;

NOW, THEREFORE, IT IS HEREBY ORDERED BY THE AFFIRMATIVE VOTE OF NOT FEWER THAN THREE COMMISSIONERS:

1. That this docket is hereby opened to further investigate the benefits to ratepayers of dynamic pricing and other options that may become available with the diffusion of AMI (for example, whether retail choice is consistent with Standard Offer Service dynamic pricing, whether dynamic pricing should be mandatory, opt-in or opt-out; whether there should be an increased charge for usage during critical peaks and/or a credit for a decline in usage during critical peak periods)...

2. That Delmarva, the Public Advocate and Staff shall conduct an initial workshop on Thursday, September 10, 2009, beginning at 10:00 a.m. in the Commission's Hearing Room, 861 Silver Lake Boulevard, Suite 100, Dover, DE 19904. The workshop shall be open to any interested party to attend and participate. Additional workshops will be scheduled at the September 10, 2009 workshop, if necessary.

3. On or before September 3, 2009, Delmarva shall publish notice of the September 10, 2009 workshop in the legal classified sections of the Delaware State News and The News Journal, in two column format bordered in black, as set forth in Exhibit A attached hereto. If any additional workshops are scheduled, Delmarva shall give public notice thereof by publication in the legal classified sections of the Delaware State News and The News Journal newspapers, in two-column format bordered in black, once the workshop dates have been determined.

4. That the deadline for intervention in this docket shall be September 7, 2009.

5. That on or before November 30, 2009, Commission Staff shall issue a report with its recommendations regarding moving forward towards the implementation of dynamic pricing options by Delmarva.

6. That on or before December 15, 2009, DPA, Delmarva and interveners shall file written comments, if any, concerning moving forward towards the implementation of dynamic pricing options by Delmarva and any written comments concerning the report of Commission Staff.


7. That on December 22, 2009, the Commission shall consider the Staff report and any written comments and determine how to proceed with respect to dynamic pricing options going forward.

8. That Ruth Ann Price is hereby designated as Hearing Examiner for this matter pursuant to the terms of 26 Del. C. §502 and 29 Del. C. ch. 101 to facilitate the conduct of the workshops, to address any issues arising there from, and to schedule such other matters as may be necessary to have a full and complete record leading up to the Commission's December 22, 2009 meeting. Pursuant to Rule 21 of this Commission's Rules of Practice and Procedure, the Hearing Examiner is granted the authority to grant or deny petitions for intervention and, pursuant to 26 Del. C. § 102(A), is delegated the authority to determine the form and manner of any further public notice in this matter.

9. Delmarva Power & Light Company is hereby placed on notice that the costs of the investigation will be charged to it under the provisions of 26 Del. C. § 114(b) (1).

10. That the Commission reserves the jurisdiction and authority to enter such further Orders in this matter as may be deemed necessary or proper.

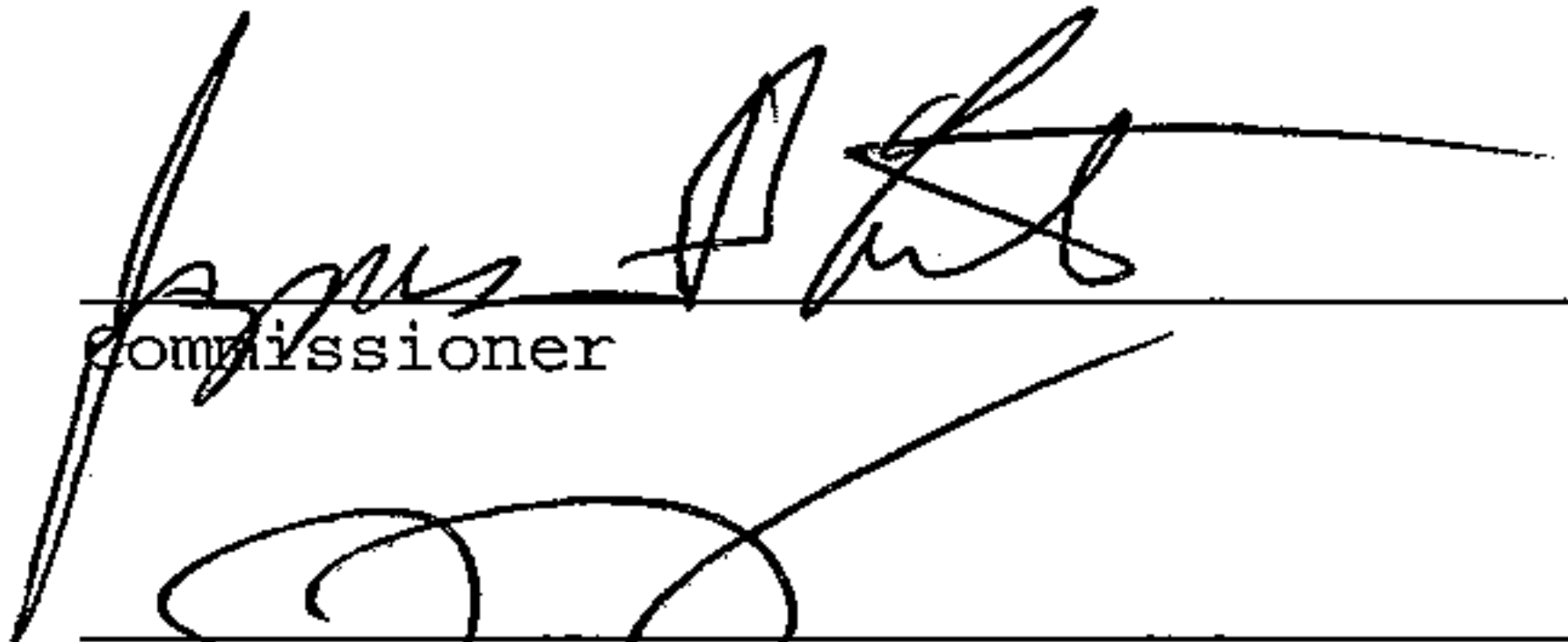
BY ORDER OF THE COMMISSION:

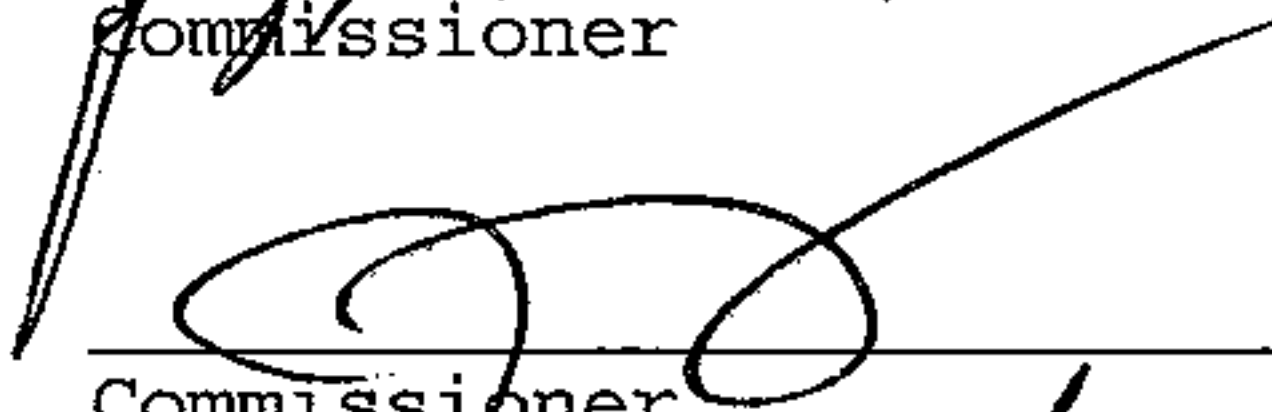


Chair


Commissioner

PSC Order No. 7620, (Con't)


Commissioner


Commissioner


Commissioner

ATTEST:


Acting Secretary

EXHIBIT A

**BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF DELAWARE**

**IN THE MATTER OF THE INVESTIGATION)
BY THE PUBLIC SERVICE COMMISSION)
INTO THE IMPLEMENTATION OF) PSC DOCKET NO. 09-311
DYNAMIC PRICING BY DELMARVA)
POWER & LIGHT COMPANY)
(OPENED AUGUST 4, 2009))**

P U B L I C N O T I C E

**OF INITIATION OF INVESTIGATION BY THE DELAWARE PUBLIC SERVICE
COMMISSION INTO THE IMPLEMENTATION OF DYNAMIC PRICING BY
DELMARVA POWER & LIGHT COMPANY**

**TO: ALL ELECTRIC AND GAS CUSTOMERS OF DELMARVA POWER & LIGHT
COMPANY AND OTHER INTERESTED PERSONS**

Section 410 of the “American Recovery and Reinvestment Act of 2009” (hereafter, the “Stimulus Bill”) provides that the Secretary of Energy “shall make grants ... in excess of the base allocation established for a State ... only if the governor of the recipient State notifies the Secretary of Energy in writing that the governor has obtained the necessary assurances” that, among other things:

The applicable State regulatory authority will seek to implement, in appropriate proceedings for each electric and gas utility, with respect to which the State regulatory authority has ratemaking authority, a general policy that ensures that utility financial incentives are aligned with helping their customers use energy more efficiently and that provide timely cost recovery and a timely earnings opportunity for utilities associated with cost-effective measurable and verifiable efficiency savings, in a way that sustains or enhances utility customers’ incentives to use energy more efficiently,

Among other things, "dynamic pricing" has been advanced as a means for encouraging the more efficient use of electricity by utility customers.

On August 4, 2009, the Delaware Public Service Commission ("the Commission") initiated Docket No. 09-311 to investigate the potential benefits to ratepayers of dynamic pricing and other options that may become available with the diffusion of AMI (for example, whether retail choice is consistent with Standard Offer Service dynamic pricing, whether dynamic pricing should be mandatory, opt-in or opt-out; whether there should be an increased charge for usage during critical peaks and/or a credit for a decline in usage during critical peak periods). The Commission directed Delmarva, the Commission Staff, and the Public Advocate to schedule and conduct a workshop on **September 10, 2009** (with additional workshops to be scheduled if necessary), and further ordered Staff to submit a written report on **November 30, 2009** with Staff's recommendations regarding dynamic pricing options. The Commission further ordered that such workshop(s) shall be open to any interested party. Delmarva and other interested parties are invited to submit responsive comments to Staff's report, and the Commission will consider the Staff report and any written comments at its meeting on **December 22, 2009**.

Any person, group, or entity desiring to participate in the workshop(s) must, in accordance with Rule 21 of the Commission's Rules of Practice and Procedure, petition the Commission for leave to intervene in the proceedings. To be timely, all such petitions must be filed with the Delaware Public Service Commission at 861 Silver Lake Boulevard, Cannon Building, Suite 100, Dover, Delaware 19904 on or before **September 7, 2009**. Petitions received thereafter will not be considered except for good cause.

The first workshop will be held on **Thursday, September 10, 2009, beginning at 10:00 a.m., in the Commission's Hearing Room, 861 Silver Lake Boulevard, Suite 100, Dover, DE**

19904. Additional workshops, if necessary, will be scheduled at the September 10, 2009 workshop.

The Commission will conduct hearings in this investigation, or any settlement that might be proposed by the parties, at later dates after providing further public notice.

Individuals with disabilities who wish to participate in these proceedings or to review filings should contact the Commission to discuss any needed auxiliary aids or services. The Commission Staff is also available to provide more information. The Commission's toll-free telephone number within Delaware is 1-800-282-8574. The Commission can also be reached at (302) 739-4333 (including text telephone communications). Inquiries can also be sent to the Commission by Internet e-mail to "janis.dillard@state.de.us."